

**TITLE OF REPORT: PROPOSED IMPROVEMENTS TO THE NORTH HERTS LEISURE CENTRE (NHLC)**

REPORT OF THE HEAD OF LEISURE & ENVIRONMENTAL SERVICES  
PORTFOLIO HOLDER: COUNCILLOR JANE GRAY

**1 SUMMARY**

- 1.1 The purpose of this report is to propose a programme of improvements and replacements/refurbishments to the structure of NHLC in order to extend the expected lifespan of the facility, and maintain customer satisfaction. The proposals would require significant capital investment which would result in commensurate savings to the revenue budget and are presented as an agreed package with the current Leisure Management contractor, Stevenage Leisure Limited.
- 1.2 The purpose of this report is for Cabinet to consider improvements to the NHLC that will increase customer satisfaction, meet current and future needs of our customers and communities, improve the sustainability and viability of the NHLC and reduce financial risks for the Council by investing capital to help improve the Councils revenue budget.

**2 RECOMMENDATIONS**

- 2.1 Cabinet to consider, comment and agree to:
  - 2.1.1 The extension and alterations proposed in the consultants report as shown in Appendix A, subject to LGCHF and the Councils 2015/16 capital budgets approval.
  - 2.1.2 Support changes to the swimming lesson charges and the leisure pool programme as discussed in 7.8 to ensure there is an opportunity to further improve the financial performance of the Letchworth Leisure Management contract.
  - 2.1.3 Support in principle the extension to the Leisure Management contract for a further five years on the basis the capital improvements are completed by April 2016 and Stevenage Leisure Ltd (SLL) agree to further payments to NHLC as discussed in 10.3 of this report.
  - 2.1.4 To progress to the next stage of procuring of the design team, this will have no additional cost but save valuable time in the event the capital programme and contract extension is approved.

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 To obtain approval and support in principle to the improvements and capital investment into the NHLC to ensure long term financial sustainability and to make improvements to meet current and future needs of our customers and communities.

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Do nothing and look at replacement of the NHLC in the medium term; this may significantly increase financial risks in terms of revenue and capital.

## **5 CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

5.1 Portfolio Holder for Leisure and Stevenage Leisure Ltd.

## **6 FORWARD PLAN**

6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 27th October 2014.

## **7 BACKGROUND**

7.1 The North Herts Leisure Centre (NHLC) was built by the LGCHF in 1982 and is now over 32 years old. The Leisure Centre was leased for 99 years on a full repairing lease by the LGCHF until the 19<sup>th</sup> February 2081 on a peppercorn rent to NHDC. The Leisure Facility Strategy recommended an options appraisal for the replacement, rebuild or refurbishment of the North Herts Leisure Centre is completed, this report recommends the lifetime of the building is further extended by such investment. [http://srvinternet01.north-herts.gov.uk/intracontent/sports\\_facilities\\_strategy\\_as\\_at\\_08\\_02\\_11-2.pdf](http://srvinternet01.north-herts.gov.uk/intracontent/sports_facilities_strategy_as_at_08_02_11-2.pdf)

7.2 The management of the NHLC has been contracted out since the 1990's and over the years significantly reduced its burden on the local tax payer; the detail of the surpluses on the management of this facility is shown in section 10 of the report. NHDC is fortunate to have a wide range of indoor leisure facilities that not only meet the needs of our local communities but financially contribute towards the revenue budget. Considering the number of public swimming pools in North Hertfordshire, which are recognised as normally requiring a high level of subsidy by Councils, we are fortunate these facilities make a surplus to contribute to the capital cost.

7.3 The main reasons for the financial improvements are the increasing demand by the public, which has significantly increased income. The contracts are based on the contractor being responsible for all income and expenditure and any surplus profits shared and the Council reinvesting its profits in improvements and maintenance of the leisure facilities. Over the years this continuous improvement has helped to improve the contract value to the Council. The Letchworth Leisure Management Contract was awarded and commenced this year and the Council benefited from further savings.

7.4 If the Council wishes to maintain this trend and have assets that return a financial surplus to the Council we need to ensure our leisure facilities meet the current and future needs of its customers and this requires capital investment to ensure these leisure facilities are fit for purpose.

7.5 The Councils financial position and previous success in Invest to Save projects within leisure resulted in further discussions with our Contractor, Portfolio Holder and Corporate Board to approve the procurement and terms of reference of consultants at a cost of £10k. The report (Appendix A) proposes £3m of capital investment into the NHLC and considers that the building has a further lifespan of at least 25 years, Previous levels of investment and maintenance of the facilities warrants this level of investment. The replacement of a like for like facility at today's prices would be circa £20m.

7.6 A number of capital bids have been submitted for consideration by the Council, some of these improvements are on the basis of an invest to save similar to the recent improvements to the Hitchin Swimming Centre.

- 7.7 The invest to save proposal is subject to our Contractor, Stevenage Leisure Ltd (SLL), and their Board approving their Business Case and the further reduction on the Letchworth Leisure Management contract for a five year extension (2019 – 2024). There are significant financial risks to the contractor as their Business Case relies on increased income.
- 7.8 The invest to save proposal is based on increasing swimming lesson prices over the next two years to be in line with other providers in this market by increasing charges for swimming lessons in North Hertfordshire by 10% in April 2015 and a further 15% in 2016. To close the Leisure Pool on a Thursday from 4pm to 6pm from April 2015 until the new teaching pool is open to help meet current demand and to ensure the new teaching pool starts with sufficient capacity to meet income targets.
- 7.9 The proposal is for the development at the NHLC to be completed by April 2016 and for a further five year extension to the Letchworth Leisure Management contract to be awarded, ending March 2024. This would allow eight years further savings to the Council on this contract that would total £1.7m.
- 7.10 The Council will need to seek approval from the LGCHF to any proposed improvements, they have previously not objected to any improvements we have proposed but also not financially contributed to large Council capital projects.

**8 PROPOSED IMPROVEMENTS TO THE NHLC**

- 8.1 The consultants report, shown in Appendix A, provides the detail of the proposed improvements to the NHLC to meet current and future needs and to ensure the Leisure Centre is fit for purpose. The sketch below shows the new extension proposed, containing:
  - 8.1.1 New teaching/learner pool (invest to save)
  - 8.1.2 New cafeteria (service improvement)



- 8.2 The teaching pool is a contractors proposal and subject to an invest to save consideration that is being discussed with both this Council and SLL and their Board. This proposal relies on increased levels of income to provide the savings required.
- 8.3 The cafeteria is a Council proposal, the new location will be better for customers providing the opportunity to have refreshments without entering into the Leisure Centre itself and to view over the new teaching pool.
- 8.4 The relocation of the new cafeteria will displace the existing offices that would be relocated in the existing kitchen area of the cafeteria, whilst the existing seating area of the cafeteria would be converted into a dance studio.
- 8.5 The sports hall floor is granwood and can no longer be sanded and is in a poor condition, it is proposed to replace with gransprung flooring, the same as previously installed at Royston Leisure Centre.
- 8.6 The corridors are in need of refurbishment, in particular improved lighting and flooring.
- 8.7 The existing male and female changing rooms need refurbishing, but to limit capital investment and disruption it is proposed to retain the existing separate male and female changing rooms rather than converting to a changing village. It will reduce the level of disruption as one changing room can be used whilst the other is being refurbished.
- 8.8 Car parking has been considered and to meet the increased usage the teaching pool is likely to generate, 15 additional car park spaces are planned. Officers will discuss with the LGCHF and the Rugby Club to see if there are opportunities to resolve the parking problems in the Leisure Centre car park on match days.
- 8.9 There will need to be further investment in the mechanical and electrical services within the building, some of this is being considered in the capital programme being submitted, but further works will be required over the lifetime of the building.
- 8.10 The proposed improvements shows an investment of approximately £3m required including design fees but excludes VAT, planning and building regulation fees.

## **9 LEGAL IMPLICATIONS**

- 9.1 Cabinet's terms of reference include 'to oversee the provision of all the Council's services other than those functions reserved to the Council' and 'to promote and develop external partnerships to meet strategic objectives'. This project is also aligned with the NHDC Priority of 'Living Within Our Means' as it would represent a significant saving on the cost of building a new facility of similar type.
- 9.2 A potential contract extension to the existing contractual arrangements for NHLC would need to be developed, considered and approved, and NHDC would need to satisfy itself that the extension of the Contract for this length of time was appropriate in procurement terms.
- 9.3 Additionally Contracts would need to be developed and managed for the procurement of the proposed improvement works. This would include appointing the design team in accordance with the Council's procurement rules.

- 9.4 Consideration would need to be given to varying the existing contract, if this can be extended, to include within it the proposed pricing increases necessary to make the invest to save proposal in 7.8 above realisable.

## 10 FINANCIAL IMPLICATIONS

- 10.1 The capital proposal suggested in Appendix A are:

10.1.1	Learner Pool Extension and associated plant	£ 1,370,000
10.1.2	Café Extension	£ 477,000
10.1.3	Dance Studio (former Cafe Area)	£ 204,000
10.1.4	Offices (former Kitchen Area)	£ 96,000
10.1.5	Sports – new sprung timber floor covering and lighting	£ 135,000
10.1.6	Corridors – refurbishment of finishes and lighting	£ 51,000
10.1.7	Wet Changing Facility refurbishment	£ 504,000
10.1.8	Car Parking – additional 15 spaces	£ 50,000
10.1.9	Existing primary services (gas and electricity upgrade)	£ 131,000
10.1.10	<b>Total Estimated Cost</b>	<b>£ 3,018,000</b>

- 10.2 In addition there is a further capital proposal for filter refurbishment and UV replacement in the plant room estimated to be £100,000.

- 10.3 SLL have proposed an additional annual payment of approximately £216k to the Council on the Letchworth Leisure Management contract subject to amendments to swimming lessons discussed in para 7.8 and a five year extension. This payment would commence from the completion of the teaching pool and open to the public by April 2016 and would be for eight years totalling payments to NHDC of circa £1,728k.

- 10.4 The capital sum required will reduce the Council's cash balances available for investment and hence the interest received on those investments. The lost interest over eight years (life of the SLL contract) would be in the region of £500k. This calculation is based on the current 5 year interest rate of around 2.5%, as stipulated in the Medium Term Financial Strategy. In practice the Council is not currently placing investments much longer than one year and is earning around 1% on average. At 1% the lost interest over the eight years would be in the region of £200k.

- 10.5 The Leisure Management contracts have been financially improving and is shown in the following table

Leisure Management Contracts	2005/06 Actual	Pre 2011	2011-2014	2014-24	Proposed 2016 -2024
<b>Hitchin</b>					
Pools			£482,604	£360,773	£360,773
Archers			-£371,727	-£396,443	-£396,443
<b>Total</b>	<b>359,579</b>	<b>£166,451</b>	<b>£110,877</b>	<b>-£35,670</b>	<b>-£35,670</b>
				<b>2014-2019</b>	
<b>Letchworth</b>					
NHLC	-£ 16,200	-£43,445	-£42,311	-£447,761	-£663,761
LOP	£ 128,655	£148,787	£124,614	£73,129	£73,129
FSC	£ 32,895	£22,687	£10,401	-£4,951	-£4,951
<b>Total</b>	<b>£ 145,350</b>	<b>£128,029</b>	<b>£92,704</b>	<b>-£379,583</b>	<b>-£595,583</b>
<b>Royston</b>					
RLC	167,125	£0	-£28,265	-£44,952	-£44,952
<b>Grands Total</b>	<b>£ 672,054</b>	<b>£294,480</b>	<b>£175,315</b>	<b>-£460,205</b>	<b>-£676,205</b>
<b>Annual saving compared with 2005/6 not accounting for RPI</b>				<b>-£1,132,259</b>	<b>-£1,348,259</b>
<b>Accounting for RPI @ average of 2%</b>	<b>£ 803,167</b>	<b>Annual saving</b>		<b>-£1,263,372</b>	<b>-£1,479,372</b>

10.6 The above table shows the significant saving the Council is making on the Leisure Management Contracts compared to 2005/6 contract costs and the significant financial risks if these leisure facilities do not remain popular and have high levels of usage and income.

## 11 RISK IMPLICATIONS

11.1 The NHLC provide a financial return to the Council and has significantly improved in the last decade due to the Council investing and improving the services to our customers.

11.2 Continued investment is required to ensure the NHLC remain a financial asset to the Council. Lack of investment in the facility could increase the risk that the Council receives less financially favourable bids in future contract procurement processes.

11.3 If the contract extension with SLL is agreed, the risk of increased usage and income is held by SLL within the contract terms and conditions. As with any major contract for an outsourced service, the Council recognises there is a risk to the Council that the contractor might be unable to fulfil a contract. This is a financial risk which will be considered along with all other financial risks when setting the budget.

## 12 EQUALITIES IMPLICATIONS

12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.

12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 12.3 Should the proposals made in this report come to fruition, they will provide greater leisure opportunities, and importantly an increased capacity for people to learn to swim than currently exists, given local waiting lists for lessons.

### **13 SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report relate to the award of a public service contract, 'social value' must therefore be captured and reported in accordance with the Public Services (Social Value) Act 2012.
- 13.2 The proposed improvements are made through an existing and highly successful contractual arrangement with Stevenage Leisure Limited, a Social Enterprise; the objects of the charity include widening opportunity for local individuals to participate in healthy leisure, physical and performing arts activities, and in doing so they offer a wide range of local jobs across a range of skills, any surpluses generated through their operations are reinvested into the facilities for the benefit of both clients and staff, and in the reduction of contractual costs for NHDC too.

### **14 HUMAN RESOURCE IMPLICATIONS**

- 14.1 None contained within this report.

### **15 APPENDICES**

- 15.1 Appendix A - B3 Architects Proposed Extension and alterations to North Herts Leisure Centre.

### **16 CONTACT OFFICERS**

- 16.1 Author

Vaughan Watson  
Head of Leisure & Environmental Services  
01462 474641  
[vaughan.watson@north-herts.gov.uk](mailto:vaughan.watson@north-herts.gov.uk)

- 16.2 Contributors

John Robinson  
Strategic Director Customer Services  
01462 474655  
[John.robinson@north-herts.gov.uk](mailto:John.robinson@north-herts.gov.uk)

Janis Wilderspin  
Interim Contracts Lawyer  
01462 474578  
[Janis.wilderspin@north-herts.gov.uk](mailto:Janis.wilderspin@north-herts.gov.uk)

Tim Neill  
Accountancy Manager  
01462 474461  
[tim.neill@north-herts.gov.uk](mailto:tim.neill@north-herts.gov.uk)

Liz Green  
Head of Policy and Community Services  
01462 474230  
[liz.green@north-herts.gov.uk](mailto:liz.green@north-herts.gov.uk)

Kerry Shorrocks  
Corporate Human Resources Manager  
01462 474224  
[Kerry.shorrocks@north-herts.gov.uk](mailto:Kerry.shorrocks@north-herts.gov.uk)

Fiona Timms  
Risk Manager  
01462 474251  
[fiona.timms@north-herts.gov.uk](mailto:fiona.timms@north-herts.gov.uk)

Steve Crowley  
Contracts & Project Manager  
01462 474211  
[steve.crowley@north-herts.gov.uk](mailto:steve.crowley@north-herts.gov.uk)

## **17 BACKGROUND PAPERS**

### 17.1 NHDC Leisure Strategy.